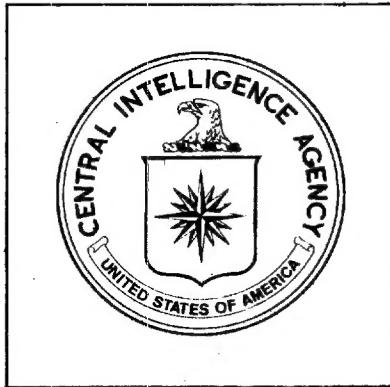


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

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Bonn and West Berlin Officials Prepare for Negotiations with the East Germans on Improving Transit Facilities

During the coming week, West German and West Berlin officials hope to agree on which improvements in transit facilities to seek when new negotiations begin with the East Germans. The officials hope that if quick progress can be made, the negotiations will

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Bonn is approaching the negotiations with a considerable amount of optimism. Chancellor Schmidt set the tone for government policy in his New Year's address when he stated that there would be no worries for West Berlin in 1975. He is insisting that the West German negotiating position be both reasonable and flexible.

Egon Franke, Minister for Inner-German Affairs, echoed this view last week when he spoke confidently of the prospects for success in the negotiations on improving transit routes.

Today, Chancellor Schmidt meets with Franke and the ministers of Foreign Affairs, Finance, and Transportation to determine whether Bonn or the West Berlin Senat will negotiate with the East Germans. The Western Allies have no strong preference on this issue. Given the large number of projects to be discussed with the East Germans, the Federal Government will probably decide to proceed on a case-by-case basis.

On January 15, West Berlin Mayor Klaus Schuetz will attend a second inter-ministerial meeting to decide which transit improvements to pursue in the negotiations. There is already a consensus that two of the highest priorities will be the reopening of the Teltow Canal in Berlin and the construction of a

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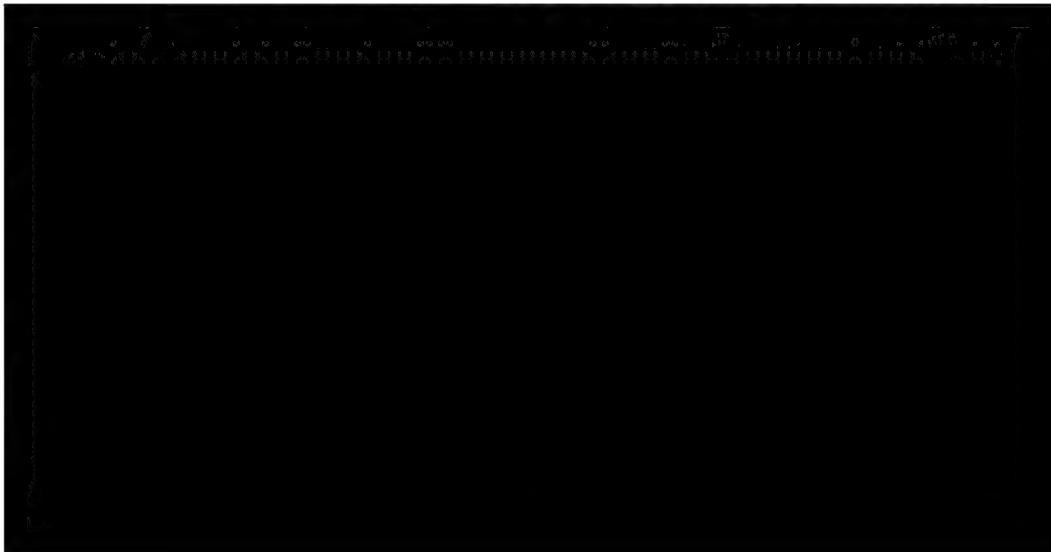
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Berlin-Hamburg Autobahn through Lower Saxony. West German and West Berlin officials are much less interested in Pankow's proposal to reconstruct the Berlin-Helmstedt Autobahn, because the Quadripartite Agreement obligates Pankow to maintain existing transit routes in good condition.

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Once drafted, the list of priorities will be submitted to the entire cabinet for approval about January 20. The cabinet is expected to rubber-stamp the proposals, enabling Bonn's representative in East Berlin to begin negotiations with the East Germans before the end of the month. (Confidential)

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European Members Back Study of Producer Investment Goals in IEA

There is disappointment in the International Energy Agency over a US decision not to provide a paper on the investments of oil-producing countries in the industrialized states. The energy agency's executive director, the chairman of the standing group on relations between producers and consumers, and some of the members insist that the subject will in any case be discussed at the standing group's meeting Tuesday and Wednesday and they regret the US decision not to have a financial expert present.

A Swiss official rejected the US decision particularly sharply, pointing out that management of producer country surpluses is, at this time, the only point of common interest between producers and consumers and that this topic must be discussed in the agency if a producer-consumer dialogue is ever to be achieved.

A US suggestion to establish a separate, ad hoc group within the agency to discuss financial issues related to the agency's work in parallel with discussions in the IMF and the OECD was also greeted unenthusiastically. The European members are concerned that financial considerations would thereby be divorced from the agency. Etienne Davignon, the chairman of the energy agency's board of governors, agreed that an ad hoc group could be established but insisted it report to the board of governors. Davignon emphasized that financial issues must be discussed in the energy agency framework lest energy policies in the agency's member states develop in a disjointed fashion. The Swiss official added that an attempt to expand the agency's institutions so soon after its formation might cause Bern some difficulties in gaining parliamentary approval for Swiss membership in the agency.
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